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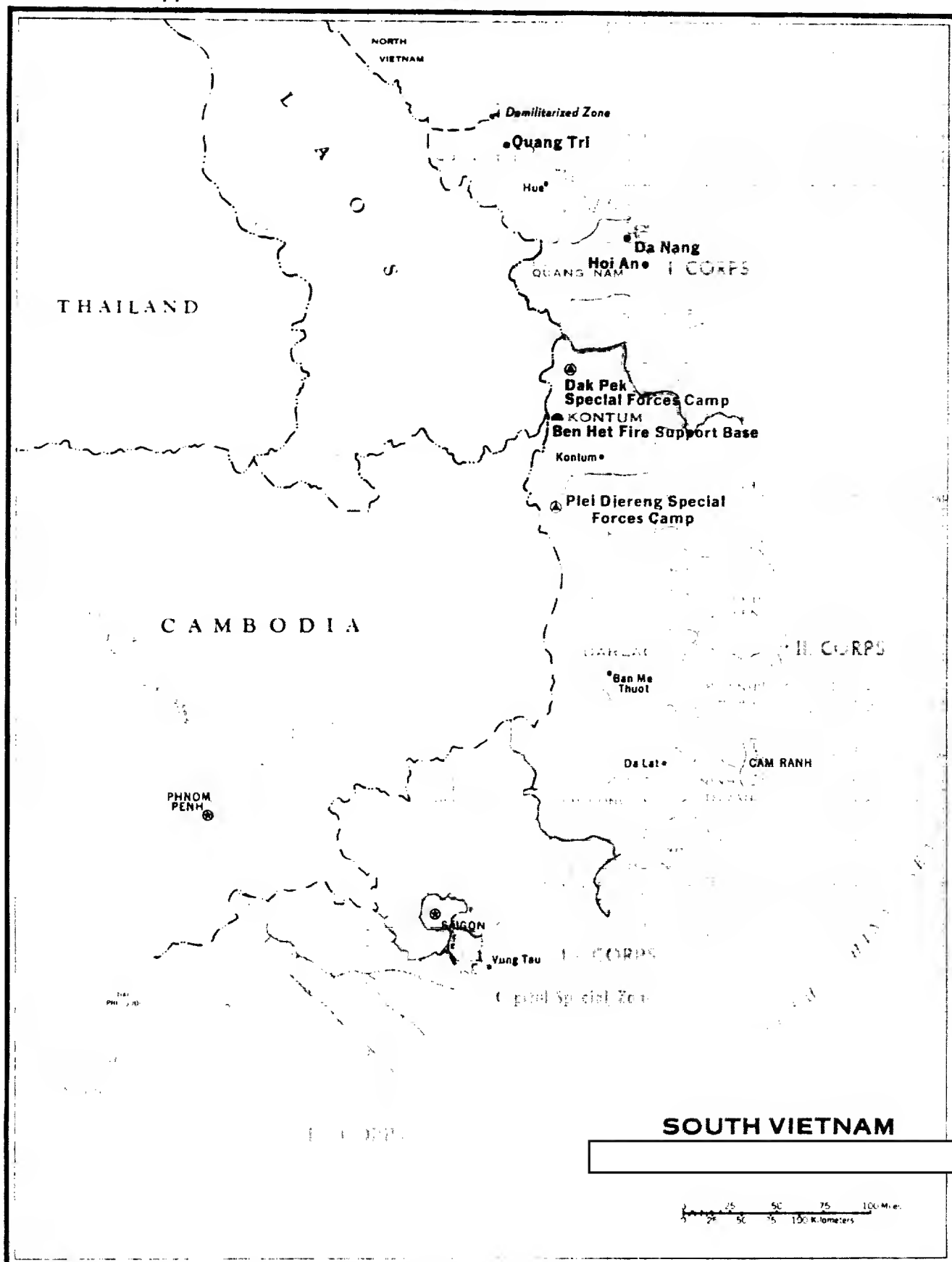
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[South Vietnam: Increased Communist shellings of allied military bases continued on 22 May with the heaviest fire in the northern provinces.

Significant ground action was confined to the northern provinces and included company-size engagements southwest of Quang Tri city and near Hoi An, the provincial capital of Quang Nam. The fighting in Quang Nam may be part of a Communist offensive [REDACTED]

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This campaign is to last through mid-June. It is designed to neutralize US Special Forces camps in the western and central part of the province and to open up access routes to Da Nang for armored vehicles and artillery.

The Communists are continuing to deploy limited numbers of tanks in western Kontum, according to three South Vietnamese soldiers who recently escaped from the Communists. The men claim they saw several enemy tanks four miles west of the US base at Ben Het. These tanks could also be sent over newly built roads against US Special Forces camps at Dak Pek and Plei Djereng.

* * * *

President Thieu has so far avoided a serious clash with the military over his government changes and may find increased support in the legislature. Initial reaction to his appointment of Huong as prime minister has been favorable among a number of National Assemblymen, militant Buddhists, and labor groups. Those who are not as enthusiastic seem to be taking a wait-and-see attitude.

Thieu's influence in the Lower House is on the upgrade. A newly formed voting bloc in the Lower House appears to be generally sympathetic. Its 29 members, together with the 21-man Independent Bloc already responsive to Thieu, bring the President close to a working majority in the Lower House. The US Embassy considers Thieu's growing influence in this body the most important political development so far in 1968. [REDACTED]

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France: The government has taken a major step toward dealing with the national strike crisis.

Premier Pompidou's offer to open a "dialogue" with labor has been accepted by union leaders, thus opening the way for a negotiated settlement of the present crisis. There is no evidence at this point, however, that workers will relinquish control of occupied factories until their demands are met.

Talks between the government and union leaders will eventually have to consider the views of the French industrialists who are strongly opposed to granting major concessions to labor. Leaders of the powerful National Committee of French Employers have decided to oppose any bilateral agreement between the government and the unions that would lead to increased salaries for workers. The committee believes increased labor costs would impair the competitiveness of French firms in the Common Market, a problem that is especially acute because tariff reductions are scheduled for July.

In the negotiations, French workers may have difficulty presenting a united front. Interunion strains have appeared in recent days, and the powerful General Confederation of Labor has attacked non-Communist unions for not agreeing to its proposals for a "common program." In addition, there is some question as to whether the rank and file, whose initiative led to the present situation, will accept the decisions of their leaders.

The government's defeat of the opposition censure motion will probably strengthen its hand in negotiating with labor.

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Czechoslovakia-USSR: Prague seems to have given Moscow some reassurance on Czechoslovakia's future role in the Warsaw Pact.

At the close of Soviet Defense Minister Grechko's visit from 17 to 22 May to Prague, Czechoslovak Defense Minister Dzur stated that the Czechoslovak Army would participate in "fair-sized maneuvers" this summer. Earlier in the month, he had said that only "staff exercises" would be held in Czechoslovakia. He has now indicated that large-scale exercises with big contingents of troops are ruled out.

Dzur implied that the Grechko delegation had understood Prague's reluctance to hold Warsaw Pact exercises on Czechoslovak territory during the politically sensitive period since January. Later, Dzur said that the Soviet delegation had "avoided any question" that would imply a "desire to interfere in our problems or to give us particular advice. We talked as equals." The communiqué indicates that the exchanges probably were not as cordial as Dzur claims, but suggests that the Soviets are still some distance away from using force to get their way in Prague. Soviet troops, nevertheless, remain on Czechoslovakia's borders, presumably to add weight to the words of visiting Soviet Premier Kosygin.

Kosygin may not be receiving much satisfaction on political problems. The Czechoslovaks are proceeding with implementation of the party action program as if a military threat did not exist. In their most recent declarations, however, they have paid attention to the need for controlling anti-Communist political voices, while leveling their attacks on the party conservatives. Non-party political "clubs," for example, continue to flourish.

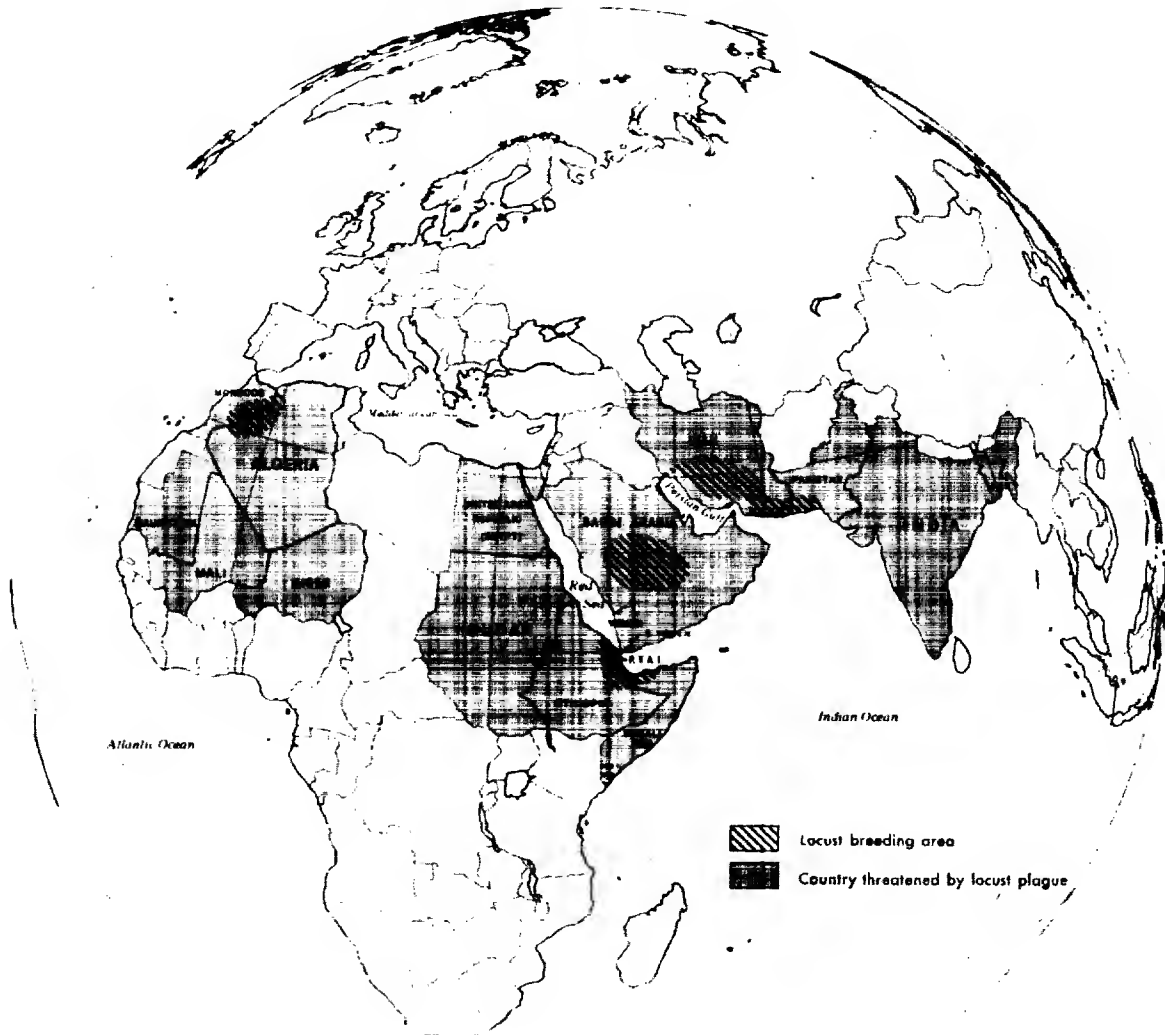
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LOCUST PLAGUE THREATENS AFRICA AND MIDDLE EAST



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Middle East - Africa: Much of the Middle East, North and East Africa is threatened by a locust plague.

The Desert Locust Information Service, sponsored by the UN Food and Agriculture Organization, has issued a "special warning" stating that even maximum anti-locust efforts may fail to avert this.

The most dangerous situation is in Saudi Arabia, where swarms are breeding that may invade Iran, Pakistan, India, Sudan, Egypt, Yemen, Southern Yemen, Ethiopia, and Somalia this summer. A second very dangerous locust breeding ground exists in eastern Africa. In addition, swarms are likely to move from the Algerian-Moroccan border area into Mauritania, Mali, and Niger.

Unless breeding is soon controlled, crops in these countries are almost certain to be severely ravaged by the locusts. This could result in greatly increased demands for emergency wheat shipments to a number of countries, the starvation of livestock, and food shortages contributing to social and political unrest.

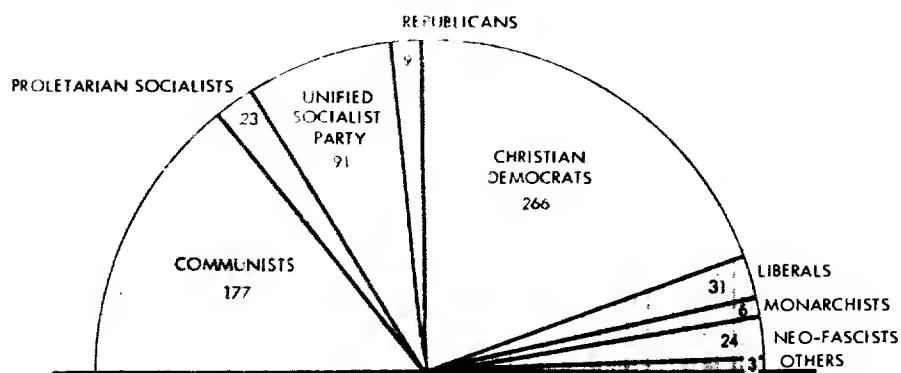
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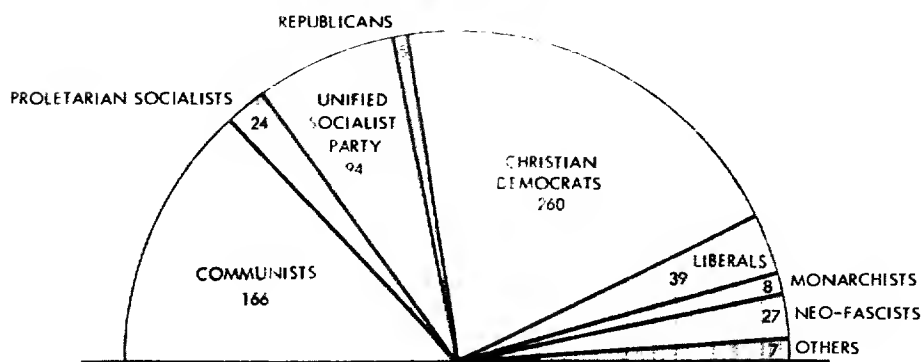
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ITALY'S CHAMBER OF DEPUTIES

ELECTIONS OF 19-20 MAY 1968



STRENGTH IN CHAMBER OF DEPUTIES
IMMEDIATELY PRIOR TO ELECTIONS



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Italy: Losses by the Unified Socialist Party in the recent election seem likely to cause its leadership to take a hard look at the conditions under which they can continue to participate in the center-left coalition.

The Unified Socialist Party had hoped to recover at least some of the 24 Chamber of Deputy seats that were lost to the Proletarian Socialists as a result of the 1964 secession. They not only failed to do so, but lost three additional seats, dropping from 94 to 91.

Although no alternative to some form of Christian Democratic - Socialist collaboration appears feasible, it is uncertain at this time what form this collaboration will take.

Communist gains and Proletarian Socialist staying power were displayed in the face of relative economic prosperity and despite foreign Communist developments contrary to the Italian party's stance. The strength of the far left reflects in part the absence of any other major opposition to the government. The Communists and the Proletarian Socialists evidently also attracted a large number of protest votes from youth voting for the first time.

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Communist China: Peking is seeking record amounts of chemical fertilizer abroad.

A contract has been signed with the Japanese for delivery during 1968 of about 2.7 million tons, some 13 percent more than in 1967. Peking has been negotiating for several months with its European supplier, Nitrex, for up to three million tons, 500,000 tons more than Nitrex delivered in 1967. If Nitrex supplies as much as three million tons, China's expenditure for fertilizer imports this year would reach about \$200 million.

China's domestic fertilizer production has been seriously disrupted by the Cultural Revolution. Output in 1967 probably declined by at least ten percent and possibly much more. Chou En-lai in a speech on 2 February admitted that shortages of chemical fertilizer might continue in 1968.

Even record purchases of chemical fertilizer during 1968 probably will not prevent the year's grain harvest from falling below the excellent 1967 yield. Much of the fertilizer bought in 1968 will not arrive at the communes in time to be applied to this year's crops, partly because negotiations for fertilizer this year began many months later than usual. A repetition of the exceptionally good weather last year is unlikely.

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[Haiti: The exile invasion force has been routed by government troops and President Duvalier appears to be as firmly entrenched as ever.

The Haitian Government claims that only 25 insurgents actually landed at Cap-Haitien in northern Haiti instead of the 50 originally reported. Of these, five were killed and two were captured when Haitian security forces regained control of Cap-Haitien on 21 May. The remaining 18 members have gone into hiding in the surrounding countryside. There may be occasional skirmishes as military units attempt to track them down.

President Duvalier appears convinced that the US Government was somehow involved in the invasion plans. This was reflected in a note delivered to the UN yesterday requesting an urgent meeting of the Security Council to discuss "this act of brigandage which could only have been carried out with the tolerance of certain members of the United Nations." The note complained that US warships were in the area of Monday's invasion and protested what it termed anti-Haitian propaganda by American news media.

Duvalier may be concerned that Haitian exiles still in the Bahamas may attempt to join up with remnants of the invasion force put to flight by his troops. There is no indication, however, that the exiles are presently prepared to undertake such an action.

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Finland-USSR: The communiqué issued after the recent talks between Finnish Social Democratic and Soviet Communist Party leaders points up Moscow's interest in fostering cooperation between Communist and Socialist parties in non-Communist countries. The Soviets put their seal of approval on the Finnish party, thus officially ending a history of ill will between the two parties. The Finnish Social Democrats, in return, endorsed standard Soviet positions on Vietnam, the Middle East, European security, and recognition of the two German states. As a result, the party may incur further resentment from its right-wingers. [REDACTED]

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Venezuela: President Leoni is taking a direct hand in expanding relations with Eastern Europe. A presidential adviser says that an offer to exchange diplomatic representatives will be made to Prague within a few days. A decision has also been made to re-establish relations with Moscow after a number of preliminary steps are taken, such as signing a commercial agreement and establishing commercial missions. These moves are the latest in a series over the past year that indicate Venezuela is trying to exploit Soviet Bloc interest in diplomatic relations to expand trade relations with Eastern Europe. [REDACTED]

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[Mexico-USSR: Eight Soviet technicians who have spent three weeks studying Mexican oil production methods were probably also promoting Soviet oil-drilling equipment. Soviet turbodrills purchased by Mexico in 1964 are no longer believed to be functioning. the Soviet delegation [REDACTED]

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[REDACTED] may also have been interested in viewing the US drilling equipment that has been more satisfactory for the Mexican petroleum industry. [REDACTED]

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(continued)

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Chile: Passage of the wage readjustment bill will add nearly \$30 million to the budget deficit. This measure, enacted on 19 May after more than six months of controversy, will strengthen inflationary pressures. In the first four months of 1968, the cost of living rose 12.9 percent, substantially ahead of the rate last year. The Senate eliminated provisions for automatic wage adjustments in 1969 and 1970, so the government will be forced to repeat this difficult legislative process during those two election years. [REDACTED]

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